

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
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E.O. 11652: N/A
TAGS: ELAB, MT
SUBJECT: PRIME MINISTER ANNOUNCES WAGE INCREASE

1. SUMMARY: DESPITE LITTLE PRIOR CONSULTATION WITH THE PRIVATE SECTOR OR NON-GOVERNMENT-AFFILIATED UNIONS, MALTESE PRIME MINISTER MINTOFF ANNOUNCED AN ACROSS THE BOARD WAGE AND BENEFIT INCREASE, WHICH HE STATED WOULD INCREASE TOTAL COMPENSATION TO EACH WORKER BY A MINIMUM OF 58 MALTESE POUNDS PER YEAR. BECAUSE OF CONCURRENT REDUCTIONS IN COMMODITY SUBSIDY PROGRAMS, THE NET INCREASES WILL BE MUCH SMALLER FOR MOST WORKERS. WHILE A SMALL PORTION OF THE INCREASE WAS JUSTIFIED ON COST OF LIVING GROUNDS, MINTOFF CITED THE INCREASED PRODUCTIVITY OF MALTESE WORKERS AS THE MAJOR IMPETUS FOR THE INCREASE. WHILE THE WAGE INCREASE, WITH THE CONCURRENT SHIFT FROM GOVERNMENT SUBSIDIES, APPEARS TO HAVE BEEN A SENSIBLE DECISION ON ECONOMIC GROUNDS, MINTOFF'S MANNER IN IMPLEMENTING THEM HAS PROBABLY REDUCED GENERAL SUPPORT FOR THEM. END SUMMARY

2. IN A MAJOR NATIONWIDE SPEECH ON SEPTEMBER 28, PRIME MINISTER MINTOFF ANNOUNCED A SERIES OF MEASURES WHICH HE ASSERTED WOULD RAISE THE GROSS PAY OF MALTESE WORKERS BY A MINIMUM OF 58 MALTESE POUNDS (ABOUT DOLS 140) PER YEAR
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EFFECTIVE OCTOBER 15. THE MAJOR PORTION OF THE INCREASE WILL RESULT FROM A 2 PERCENT WAGE INCREASE, WHICH MINTOFF JUSTIFIED AS "COMPENSATION FOR AN IMPROVEMENT IN THE NATIONAL PRODUCTION" AND AS A PARTIAL FULFILLMENT OF HIS GOVERNMENT'S PLEDGE TO IMPROVE THE CONDITIONS OF TWORK FOR THE MALTESE LABOR FORCE. WHILE WAGE INCREASES ARE NORMALLY ANNOUNCED AS PART OF THE GOVERNMENT'S BUDGET

SPEECH IN FEBRUARY, MINTOFF SAID THAT THE INCREASE IN WAGES SHOULD NOT BE DELAYED UNTIL THAT TIME. THANKING WORKERS FOR INCREASED PRODUCTIVITY, MINTOFF POINTED TO AN INCREASE OF 35 PERCENT (TO 60 MILLION MALTESE POUNDS) IN MALTESE EXPORTS FOR THE FIRST SEVEN MONTHS OF 1977 COMPARED WITH 1976.

3. IN CONTRAST WITH THE STRIDENCY EXHIBITED BY MINTOFF IN FIRST ANNOUNCING HIS INTENTION TO ORDER A WAGE AND BENEFIT INCREASE (A PROMISE HE MADE IN A SPEECH TO LABOR PARTY FAITHFUL IN MID-SEPTEMBER) HIS ADDRESS ON THE 28TH WAS CONCILIATORY IN TONE. WHILE COMPLIMENTING WORKERS FOR INCREASING PRODUCTION, HE NONETHELESS FORESAW DIFFICULT TIMES AHEAD AND ASKED WORKERS TO BECOME MORE EFFICIENT AND ENERGETIC. MINTOFF ALSO SOUGHT TO GAIN SUPPORT FOR HIS PREVIOUS DECISIONS TO CUT OUT A NUMBER OF RELIGIOUS FEAST DAY HOLIDAYS (A MOVE THAT DREW OPPOSITION FROM CHURCH LEADERS) BY POINTING TO THE GOVERNMENT'S RECENT DECISION TO REQUIRE EMPLOYERS TO ALLOW A MINIMUM OF TWENTY DAYS OF PAID VACATION PER YEAR FOR ALL WORKERS. IN OFFERING BOTH PRAISE AND NEW BENEFITS TO MALTESE WORKERS, MINTOFF WAS PROBABLY MOTIVATED IN LARGE PART BY A DESIRE TO DEFUSE THE INCREASING WORKER/GOVERNMENT TENSIONS WHICH HAVE BECOME MORE APPARENT IN RECENT MONTHS. BESIDES THE ONGOING (AND PREVIOUSLY REPORTED) DOCTORS' STRIKE, MINTOFF HAS BEEN FACED BY LIMITED OFFICIAL USE

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STRIKES OR STRIKE THREATS BY THE COUNTRY'S TELEPHONE WORKERS, BANK EMPLOYEES, NURSES, AND SECONDARY SCHOOL TEACHERS DURING THE PAST SEVERAL MONTHS.

4. ALONG WITH THE WAGE INCREASE, MINTOFF ALSO ANNOUNCED SEVERAL CHANGES IN SUBSIDIES AND PENSIONS. A COST OF LIVING INCREASE OF TEN CENTS PER WEEK IS TO BE GIVEN AS A COST OF LIVING ADJUSTMENT, INCLUDING THE PROSPECT OF INCREASED BUS FARES. A SIXTY CENT WEEKLY WAGE INCREASE WOULD BE SUBSTITUTED FOR SEPARATE PAYMENTS TO HOUSHOLDS IN ORDER TO BUY BREAD, OIL AND OTHER CONSUMER PRODUCTS. MINTOFF ALSO ANNOUNCED AN INCREASE OF 30 CENTS PER WEEK PER CHILD FOR FAMILIES WITH MORE THAN THREE CHILDREN. PRIVATE EMPLOYERS WILL HAVE TO MAKE THESE PAYMENTS EXCEPT FOR CHILD ALLOWANCES AND WILL NOT BE REIMBURSED BY THE GOVERNMENT (THUS ADDING ANOTHER EXPENSE TO INDUSTRY AND REDUCING PROFITS). A DISCONTINUATION OF THE BREAD SUBSIDY ALONE WILL SAVE THE GOVERNMENT SOME 2.8 MILLION MALTESE POUNDS PER YEAR MINUS THE AMOUNTS THAT THE GOVERNMENT WILL NOW PAY DIRECTLY TO ITS WORKERS AND THOSE IN THE VARIETY OF MALTESE PARASTATAL COMPANIES. BY ENDING OTHER CONSUMER ITEM SUBSIDIES, AS WELL AS REALIZING HIGHER TAX REVENUES

FROM THE HIGHER WORKER SALARY LEVELS, THE GOVERNMENT MAY
REALIZE A NET GAIN OF AS MUCH AS SIX MILLION MALTESE
POUNDS FROM THE WAGE AND BENEFIT "INCREASE".

5. REACTION TO THE ANNOUNCED INCREASES FROM OUTSIDE THE
LABOR PARTY HAS BEEN GENERALLY NEGATIVE. MINTOFF'S
NATIONALIST OPPONENTS SAW THE INCREASES AS A "DISTRACTION"
AND A "BREAD AND CIRCUSES" TACTIC DESIGNED TO OBSCURE
MINTOFF'S HANDLING OF, FOR EXAMPLE, THE MALTA DOCTORS'
STRIKE. MANY WORKERS EXPRESSED THE BELIEF THAT, DESPITE
THE FANFARE WITH WHICH MINTOFF FIRST ANNOUNCED THE WAGE
INCREASE, THE RAISE ITSELF WAS RATHER MODEST AND FAR
BELOW WORKERS' EXPECTATIONS. WHILE NEWSPAPERS CONTROLLED
BY THE LABOR PARTY REPEATED MINTOFF'S CLAIM OF A MINIMUM
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TOTAL INCREASE OF 58 POUNDS, PER WORKER PER YEAR, MOST
OTHERS WERE MORE SKEPTICAL AND SAW LARGE AMOUNTS OF THE
"INCREASE" VANISH AS THEY CONSIDERED THE EFFECTS OF THE
LOSS OF SUBSIDIES AND HIGHER TAXES, AS WELL AS THE PROSPECTS
OF HIGHER BUS FARES. THE SELF-EMPLOYED AND THOSE ON
WELFARE WILL BE PARTICULARLY HARD HIT BY THE LOSS OF

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CONSUMER PRODUCTS SUBSIDIES, SINCE THEY HAVE NO EMPLOYER
FROM WHICH TO RECEIVE HIGHER WAGES AND BENEFITS.
PENSIONERS WILL ALSO LIKELY SUFFER, SINCE THE MODEST

INCREASES IN PENSIONS ANNOUNCED BY MINTOFF WILL PROBABLY NOT BE SUFFICIENT TO COMPENSATE FOR THE LOSS OF SUBSIDIES AND THE RISING COST OF LIVING.

6. WHILE REPRESENTATIVES OF THE FEDERATION OF MALTA INDUSTRIES MET WITH THE PRIME MINISTER THE DAY BEFORE THE MAGNITUDE OF THE INCREASES WERE ANNOUNCED, SUCH "CONSULTATION" HAD LITTLE INFLUENCE ON THE GOVERNMENT'S PLANS. BUSINESS REPRESENTATIVES DID STATE THAT A WAGE INCREASE COMING AT THIS TIME SHOULD BE CAREFULLY EXAMINED, BOTH BECAUSE OF ITS EFFECT ON MALTA'S ABILITY TO INCREASE ITS EXPORTS AND COMPETE WITH OTHER COUNTRIES ATTEMPTING TO ATTRACT INVESTMENT BY OFFERING LOW WAGE LABOR AND BECAUSE OF ITS EFFECT ON THE WILLINGNESS OF DOMESTIC EMPLOYERS TO EXPAND THEIR WORK FORCES. THE BUSINESSMEN NOTED THAT MANY BUSINESSMEN HAD HIGH LEVELS OF INVENTORIES AND, AS A RESULT, WOULD HESITATE IN HIRING NEW WORKERS.

7. COMMENT: WHILE MINTOFF APPEARS TO HAVE MADE A SENSIBLE ECONOMIC DECISION IN ELIMINATING GOVERNMENT SUBSIDIES AND PERHAPS A JUSTIFIABLE ONE IN RAISING WAGES, LIMITED OFFICIAL USE

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THE MANNER IN WHICH HE HAS ARRIVED AT THESE POLICIES AND PRESENTED THEM TO THE MALTESE COMMUNITY HAS PROBABLY REDUCED GENERAL SUPPORT FOR THEM. THE BUSINESS COMMUNITY IS COMPLAINING THAT THE SHIFTING OF SUBSIDIES FROM THE GOVERNMENT TO THEM ALONG WITH THE WAGE INCREASE WILL REDUCE THEIR PROFITS AND MAKE THEM LESS COMPETITIVE. WHETHER THIS IS TRUE IS SOMEWHAT DEBATABLE AS THE COST OF LABOR IN MALTA HAS ALMOST CERTAINLY NOT GONE UP AS RAPIDLY AS THE EUROPEAN COUNTRIES, AND PROBABLY NOT MUCH FASTER THAN MALTA'S INTERNATIONAL COMPETITORS GENERALLY. MOREOVER ON AVERAGE MALTESE WORKERS WILL WORK MORE DAYS PER ANNUM OWING TO REDUCED HOLIDAYS. THE SELF-EMPLOYED HAVE A STRONGER JUSTIFICATION FOR CRITICIZING MINTOFF'S NEW POLICIES AS THEY WILL BEAR THE BURDEN OF LOST SUBSIDIES DIRECTLY. ON THE OTHER HAND, MOST OF THESE GROUPS SHOULD BE ABLE TO PASS ON THEIR INCREASED COSTS TO THEIR CONSUMERS. LAINGEN

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